

Basics of School Funding

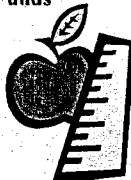
Office of Public Instruction
Linda McCulloch, Superintendent
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by Madalyn Quinlan, Chief of Staff
January 5, 2007

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School Finance Overview


1. Budgeted/Non-budgeted Funds
2. Funds:
 - Governmental
 - General Fund
 - Special Revenue
 - Debt Service
 - Capital Projects
 - Proprietary
 - Voluntary



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Budgeted/Non-Budgeted Funds

1. Budgeted Funds
 - District trustees adopt expenditure budget annually
 - Revenue may include tax levies
 - Examples:
 - General
 - Transportation
 - Retirement



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Budgeted Fund Statewide Totals

Fund	FY07 Adopted Budgets
General	\$ 856,564,383
Transportation	\$ 69,870,845
Bus Depreciation	\$ 40,117,949
Tuition	\$ 3,954,565
Retirement	\$ 113,552,770
Adult Education	\$ 8,768,735
Non-Operating (6 districts)	\$ 219,359
Technology	\$ 22,443,842
Flexibility	\$ 14,971,900
Debt Service	\$ 39,980,711
Building Reserve	\$ 51,848,580
Grand Total	\$ 1,221,293,638

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Budgeted/Non-Budgeted Funds


2. Non-Budgeted Funds
 - District can spend up to cash balance in fund
 - No tax revenue
 - Examples:
 - Food Service
 - Miscellaneous Programs
 - Extracurricular



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General Fund

- Authorized by 20-9-307, MCA
- Purpose: To finance general maintenance and operational costs of a district not financed by other funds
- Budgeted Fund (Tax Levy)
- Funding Model
- Funding Sources



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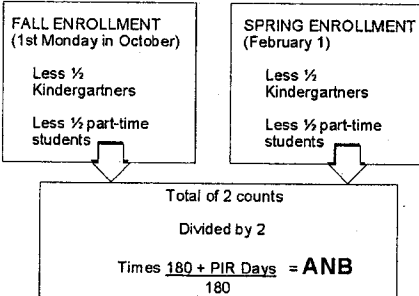
Principles of Equalization

Basis for HB 667 (L.1993)

- Limit expenditure disparities to 25% from lowest to highest spending districts
- Recognize school district size and special education costs as educationally-relevant reasons for expenditure disparities
- Once a district is within the equalized "window," it must stay within the window

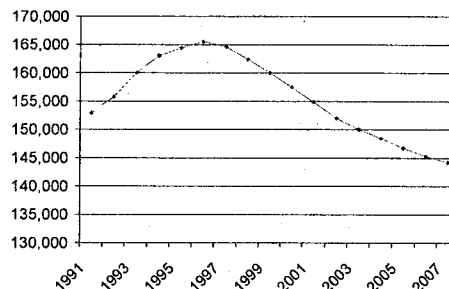
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ANB = Average Number Belonging



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Statewide Enrollment 1991-2007



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Budget Elements

- Basic Entitlement
- Per-Student Entitlement
- State Special Education Payment
- Local Special Education Payment
- New in FY07:
 - Quality Educator Payment
 - At-Risk Student Payment
 - Indian Education for All Payment
 - American Indian Achievement Gap Payment

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Budget Elements (FY 07)

- \$\$ per District
 - Elementary \$ 20,718
 - High School \$230,199
- \$\$ per Student
 - Elementary
 - \$4,456 - \$0.20/ANB to 1,000 ANB
 - High School
 - \$5,704 - \$0.50/ANB to 800 ANB
- Special Education Block Grant
 - Instructional \$143.32/ANB
 - Related-Services \$ 47.77/ANB

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Budget Elements (FY 07)

- Quality Educator Payment
 - \$2,000 per certified FTE
- At-Risk Student Payment
 - \$5M allocated based on Title I allocation
- Indian Education for All Payment
 - \$20.40 per ANB
- American Indian Achievement Gap Payment
 - \$200 per American Indian Student

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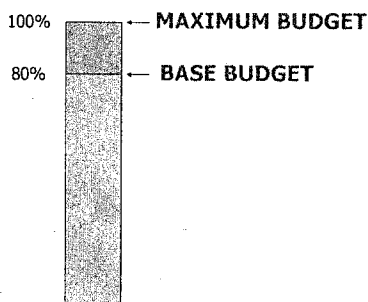
Budget Elements (FY 07)

- Basic Entitlement
- + Per-ANB Entitlement
 - + 200% Special Ed Per Student
 - + Quality Educator Payment
 - + At-Risk Student Payment
 - + Indian Education for All Payment
 - + American Indian Achmnt Gap Payment

MAXIMUM BUDGET (100%)

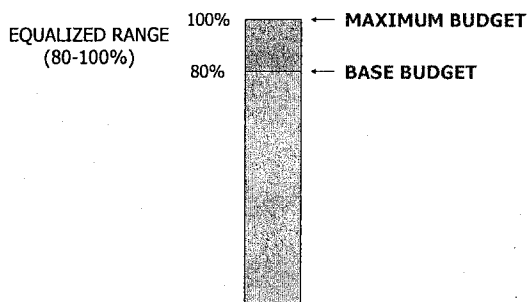
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General Fund Budget



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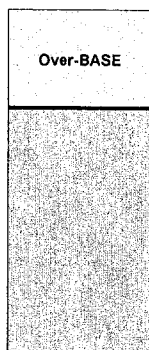
General Fund Budget



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Maximum

BASE



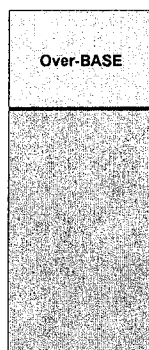
BASE
80% Per-Student Entitlement
80% Basic Entitlement
100% Qual Educator Payment
100% At-Risk Student Payment
100% Indian Education for All Payment
100% Amer Indian Achmnt Gap Payment
140% Spec Ed Allowable Cost Funding (State)

The BASE is 80% of the basic and per-student entitlements, 100% of the other state entitlements, plus 140% of the state special education funding.

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Maximum

BASE



Maximum
100% Per-Student Entitlement
100% Basic Entitlement
100% Qual Educator Payment
100% At-Risk Student Payment
100% Indian Education for All Payment
100% Amer Indian Achmnt Gap Payment
200% Spec Ed Allowable Cost Funding (State)

The Maximum for a district is based on state entitlements that are driven by enrollment and other factors. From 175% to 200% of the state funding for special education is also included in the Maximum, depending on the district's previous costs of special education.

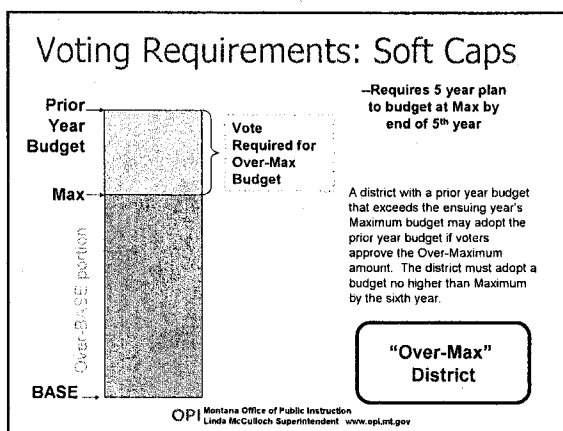
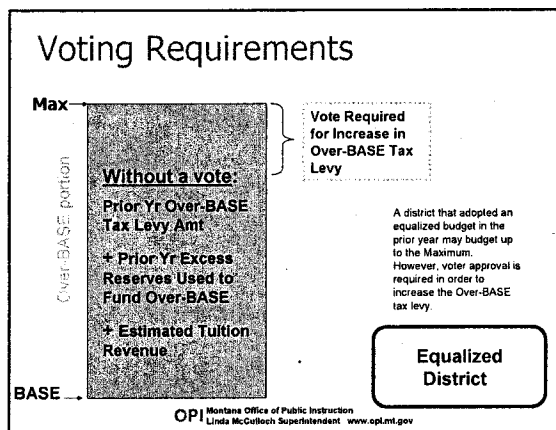
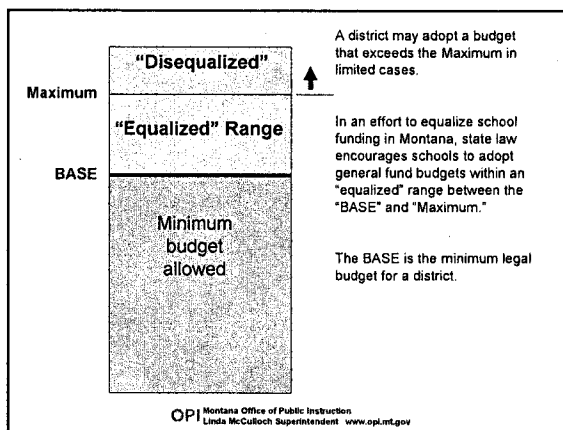
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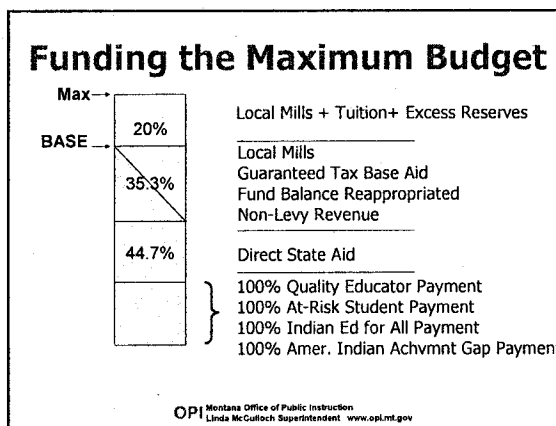
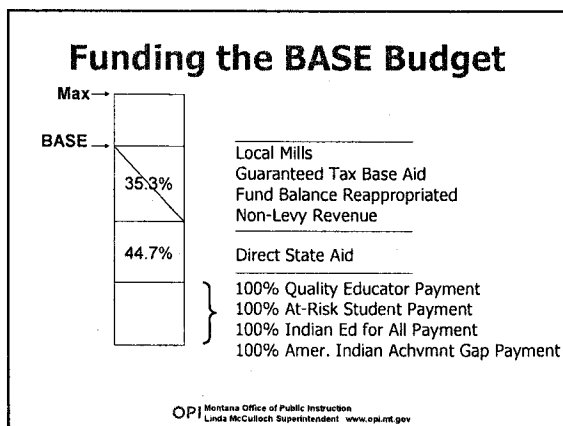
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**Trend since 1995
Number of Districts**

Percent Group	1995	1997	1999	2001	2002	2004	2005	2007
Below Base	106	41	0	0	0	0	0	0
At Base	70	84	112	95	76	62	59	54
< 90%	129	123	98	96	92	57	46	48
90 to 97%	60	82	79	72	68	64	65	78
97 to Max	48	96	138	147	128	122	147	147
Over Max	58	37	29	38	80	133	116	98
Grand Total	471	463	466	448	444	438	436	438

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How Guaranteed Tax Base Works

- State Taxable Value \$1,832,075,981 (2005 tax year)
- State guarantees that for every dollar of the BASE budget that the district must fund locally, there will be \$18.19 of taxable valuation at the elementary level and \$28.40 at the high school level to fund that budget. (FY07)
- The GTB level is recalculated each year.

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Example: Havre Elementary

FY 07 GTB Ratio

Elementary districts: \$18.19

Havre Elementary

GTB Budget area: \$ 2,094,224

Taxable Valuation: \$ 15,256,168

Guaranteed Tax Base: \$ 39,793,142

FY07 GTB subsidy/mill: \$ 24,537

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Non-Levy Revenue:

- Schools must budget non-levy revenue
- Must include non-levy revenue BEFORE levying property taxes
- Examples of non-levy revenue include:
 - Investment earnings
 - State Reimbursements (for tax law changes)
 - Oil, gas and coal payments

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Non-Levy Revenue – Block Grants

Block Grant Type	FY07 Amount
General Fund School Block Grant	\$43,687,052
Transportation Fund School Block Grant	\$ 1,800,978
Combined Fund SBG (Discretionary Placement):	
General Fund:	\$ 107,910
Transportation Fund:	\$ 124,798
Bus Depreciation Fund:	\$ 92,639
Tuition Fund:	\$ 15,323
Adult Ed Fund:	\$ 52,162
Non-Operating Fund:	\$ 1,096
Technology Fund:	\$ 364,182
Flexibility Fund:	\$ 1,691,618
Debt Service Fund:	\$ 127,863
Building Reserve Fund:	\$ 743,493
Total Combined Fund School Block Grant	\$ 3,321,084

Grand Total \$48,809,114

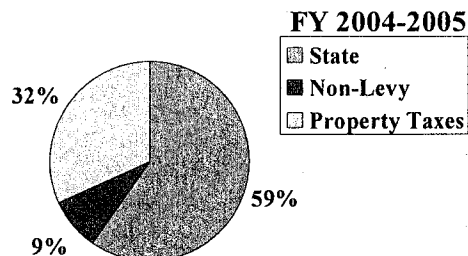
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Fund Balance Reappropriated

- Determine the fund balance in the district's general fund as of June 30
- Set aside up to 10% for an operating reserve for the ensuing year
- Set aside "excess reserves" (as defined in 20-9-104, MCA)
- Remaining fund balance must be used to fund the budget for the ensuing year BEFORE property taxes may be levied

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School General Fund Revenues

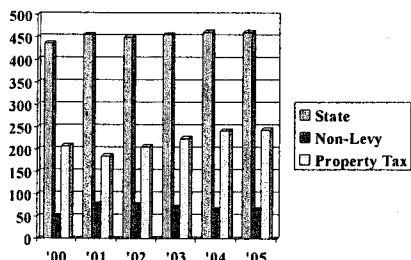


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School General Fund Revenues



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 - Capital Projects
 - Improvements
 - Facilities



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Special Revenue Funds

Purpose: Account for proceeds of revenue sources that must be used for specified purposes.

- Budgeted or non-budgeted



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Special Revenue Funds

Transportation Fund: For financing the maintenance and operation of district's school buses, private carrier contracts, and any amount necessary for the purchase, rental, or insurance of school buses or operation of the transportation program.



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Pupil Transportation

- County transportation committee approves bus routes
- Each district calculates its transportation cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy for 50% of on-schedule costs
- State pays remaining 50% of on-schedule costs
- District levies excess on district taxpayers
- Levy is made permissively (no vote)

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Retirement

- Funds school district cost of employee taxes, unemployment, and retirement
- Funded by permissive (no vote) countywide levy
- Each district calculates cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy
- State guaranteed tax base supports mills

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County Retirement Guaranteed Tax Base Aid

- County property tax levy is matched by state GTB aid
- Supported by guaranteed tax base
 - State mill value per ANB guarantee
 - Rich counties get nothing
 - Each EL mill raises \$23.84/ANB (FY07)
 - Each HS mill raises \$46.80/ANB (FY07)
- FY07 County GTB: \$22,321,359

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Other Special Revenue Funds

Budgeted:

- Bus Depreciation: Financing replacement buses
- Tuition: Costs of students who attend school outside their district
- Technology Fund: Purchase and maintain tech equipment and provide tech training
- Others

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Other Special Revenue Funds

Non-Budgeted:

- Food Service: School food service operations
- Miscellaneous Programs: Local, state, and federal grants and reimbursements
- Others

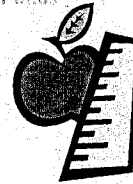
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- **Debt Service**
 - Capital Projects
 - Long-term Debt
 - Refunding



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Debt Service Funds

Debt Service Fund:

- Principal, interest on bonds and Special Improvement Districts (SIDs)
- Bond proceeds
- Budgeted fund with voted levy

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School Facilities Payments

- Available to districts that have sold general obligation bonds
- Debt service mills are matched by state aid in low-wealth districts
- State support is capped
- EL mill value/ANB \$25.96 (FY07)
- HS mill value/ANB \$54.15 (FY07)
- \$11.34 million is appropriated (FY07)

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